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SUBJECT: CROATIA VIEWS CEFTA AS POSITIVE FOR REGION

¶1. Summary: The Government of Croatia is satisfied with the outcome of the CEFTA negotiations and the signing of the agreement in Bucharest on December 19. Despite negotiations that dragged until the eleventh hour with Bosnia, Zagreb believes that the inclusive outcome is positive both for Croatia and for the region. Deputy Prime Minister Damir Polancec told Ambassador on December 20 that the GOC believes that the agreement signed in Bucharest is a step forward from the web of bilateral agreements and will boost the economies of all of South East Europe. End Summary.

¶2. Croatia reached agreement with Bosnia and the other CEFTA countries over agricultural trade on December 18, after weeks of negotiations that, at times, looked as if they could leave Bosnia outside of the new CEFTA. The GOC insisted all along that it did not want to see an agreement without Bosnia, but that it was also unwilling to enter into an agreement on less favorable terms than those of the bilateral agreement between the two countries.

¶3. The agreed deal largely maintains the status quo in mirroring the safeguard measures that exist in the bilateral trade agreements. While this may not please all Croatian exporters, both government and industry here seem to appreciate the political and symbolic importance of concluding a deal.

¶4. Ambassador congratulated Croatian Deputy PM Damir Polancec on December 20, telling him that CEFTA was important to the region and that the U.S. and others were pleased to see an inclusive agreement. Polancec said that the GOC is happy with the outcome. He noted that the agreed safeguard measures represent a step forward, as their application is limited and that the GOC believes the agreement will boost trade flows in the region.

¶5. The Croatian press has also taken a positive tone on CEFTA, noting that Croatia succeeded in sticking to its position that CEFTA not go below the levels of liberalization already agreed in the 31 existing bilateral agreements.

BRADTKE